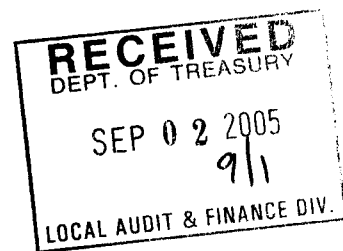


TOWNSHIP OF HOMER
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

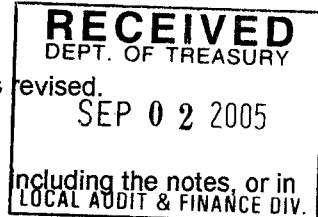
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Homer		County Calhoun
Audit Date March 31, 2005	Opinion Date July 25, 2005	Date Accountant Report Submitted to State: August 31, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF HOMER
Calhoun County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other supporting information:	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	17
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	18

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

July 25, 2005

To the Township Board
Township of Homer
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Homer, Calhoun County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Homer's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Homer, Calhoun County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HOMER
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Homer covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$135,607.78 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$215,513.36 from governmental activities. Governmental activities had a loss of 4% (\$3,002.14) in revenue sharing.

Taxable value increased by approximately \$1,991,381.00, or 4%.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund and the Current Tax Collection Fund.

TOWNSHIP OF HOMER
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains in a precarious state. We continue to lose income due to decrease in State revenue sharing as well as low interest rates. We are seeking ways to raise our income. Alternatives at this time would include a special assessment district for fire protection and/or a millage for the same. This income would alleviate shortfalls in our current General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant are the Cemetery which incurred expenses of \$35,196.56 and the Fire Protection which incurred expenses of \$52,055.13.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 36% of our income. We continue to grow at a 4% rate in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 517-568-4786 or Township Treasurer at 517-568-4551.

TOWNSHIP OF HOMER
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	
Taxes receivable	113 846 39
Accounts receivable	9 591 24
	<u>500 00</u>
Total Current Assets	<u>123 937 63</u>
NON-CURRENT ASSETS:	
Capital Assets	15 097 97
Less: Accumulated Depreciation	<u>(3 427 82)</u>
Total Non-current Assets	<u>11 670 15</u>
TOTAL ASSETS	<u>135 607 78</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	11 670 15
Total Net Assets	<u>123 937 63</u>
TOTAL LIABILITIES AND NET ASSETS	<u>135 607 78</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	5 159 91	-	(5 159 91)
General government	108 476 04	35 660 14	(72 815 90)
Public safety	56 473 30	880 00	(55 593 30)
Public works	12 762 40	7 533 84	(5 228 56)
Culture and recreation	43 399 16	-	(43 399 16)
Total Governmental Activities	<u>226 270 81</u>	<u>44 073 98</u>	<u>(182 196 83)</u>
General Revenues:			
Property taxes			90 440 38
State revenue sharing			78 540 17
Interest			1 673 72
Miscellaneous			785 11
Total General Revenues			<u>171 439 38</u>
Change in net assets			(10 757 45)
Net assets, beginning of year			<u>146 365 23</u>
Net Assets, End of Year			<u>135 607 78</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Cash in bank	96 188 20	17 658 19	113 846 39
Taxes receivable	9 591 24	-	9 591 24
Accounts receivable	-	500 00	500 00
Total Assets	<u>105 779 44</u>	<u>18 158 19</u>	<u>123 937 63</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved for cemetery	-	18 158 19	18 158 19
Unreserved:			
Undesignated	105 779 44	-	105 779 44
Total fund equity	<u>105 779 44</u>	<u>18 158 19</u>	<u>123 937 63</u>
Total Liabilities and Fund Equity	<u>105 779 44</u>	<u>18 158 19</u>	<u>123 937 63</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

123 937 63

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost
Accumulated depreciation

15 097 97
(3 427 82)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

135 607 78

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Revenues:			
Property taxes	90 440 38	-	90 440 38
State revenue sharing	78 540 17	-	78 540 17
Charges for services - PTAF	19 735 14	-	19 735 14
Charges for services - other	16 682 50	-	16 805 00
Interest	1 295 36	122 50	1 673 72
Special assessments	7 533 84	378 36	7 533 84
Miscellaneous	785 11	-	785 11
Total revenues	<u>215 012 50</u>	<u>500 86</u>	<u>215 513 36</u>
Expenditures:			
Legislative:			
Township Board	5 159 91	-	5 159 91
General government:			
Supervisor	8 431 70	-	8 431 70
Elections	3 721 12	-	3 721 12
Assessor	11 355 25	-	11 355 25
Clerk	17 392 48	-	17 392 48
Board of Review	775 14	-	775 14
Treasurer	13 515 89	-	13 515 89
Building and grounds	300 00	-	300 00
Cemetery	35 196 56	-	35 196 56
Unallocated	16 917 74	-	16 917 74
Public safety:			
Fire protection	52 055 13	-	52 055 13
Protective inspection	2 598 00	-	2 598 00
Planning and zoning	1 820 17	-	1 820 17
Public works:			
Drains	3 161 35	-	3 161 35
Lakes	9 601 05	-	9 601 05
Culture and recreation:			
Library	43 399 16	-	43 399 16
Total expenditures	<u>225 400 65</u>	<u>-</u>	<u>225 400 65</u>
Excess (deficiency) of revenues over expenditures	<u>(10 388 15)</u>	<u>500 86</u>	<u>(9 887 29)</u>
Other financing sources (uses):			
Operating transfers in	387 51	-	387 51
Operating transfers out	-	(387 51)	(387 51)
Total other financing sources (uses)	<u>387 51</u>	<u>(387 51)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(10 000 64)</u>	<u>113 35</u>	<u>(9 887 29)</u>
Fund balances, April 1	<u>115 780 08</u>	<u>18 044 84</u>	<u>133 824 92</u>
Fund Balances, March 31	<u><u>105 779 44</u></u>	<u><u>18 158 19</u></u>	<u><u>123 937 63</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (9 887 29)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(870 16)
Capital Outlay	-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(10 757 45)</u>
---	--------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Homer, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Homer. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund accounts for funds reserved for care of the cemetery.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 1.9146 mills, and the taxable value was \$47,619,800.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40 years
Furniture and equipment	3 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$11,670.15.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>113,846.39</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	120 629 08
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>120 629 08</u>

The Township of Homer did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Buildings	13 500 00	-	-	13 500 00
Equipment	<u>1 597 97</u>	<u>-</u>	<u>-</u>	<u>1 597 97</u>
Total	15 097 97	-	-	15 097 97
Accumulated Depreciation	<u>(2 557 66)</u>	<u>(870 16)</u>	<u>-</u>	<u>(3 427 82)</u>
Net Capital Assets	<u>12 540 31</u>	<u>(870 16)</u>	<u>-</u>	<u>11 670 15</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$880.00 and building permit expenses of \$2,598.00.

TOWNSHIP OF HOMER
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>387 51</u>	Cemetery Perpetual Care	<u>387 51</u>

TOWNSHIP OF HOMER
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	84 000 00	84 000 00	90 440 38	6 440 38
State revenue sharing	77 934 00	77 934 00	78 540 17	606 17
Charges for services – PTAF	13 000 00	13 000 00	19 735 14	6 735 14
Charges for services – other	18 750 00	18 750 00	16 682 50	(2 067 50)
Interest	1 500 00	1 500 00	1 295 36	(204 64)
Special assessments	15 068 59	15 068 60	7 533 84	(7 534 76)
Miscellaneous	5 000 00	5 000 00	785 11	(4 214 89)
Total revenues	<u>215 252 59</u>	<u>215 252 60</u>	<u>215 012 50</u>	<u>(240 10)</u>
Expenditures:				
Legislative:				
Township Board	8 290 00	8 413 40	5 159 91	(3 253 49)
General government:				
Supervisor	8 527 00	8 581 70	8 431 70	(150 00)
Elections	5 250 00	5 250 00	3 721 12	(1 528 88)
Assessor	11 755 00	11 755 00	11 355 25	(399 75)
Clerk	17 939 00	17 939 00	17 392 48	(546 52)
Board of Review	1 092 00	1 092 00	775 14	(316 86)
Treasurer	14 834 00	14 834 00	13 515 89	(1 318 11)
Building and grounds	300 00	300 00	300 00	-
Cemetery	38 416 00	38 416 00	35 196 56	(3 219 44)
Unallocated	21 750 00	18 562 24	16 917 74	(1 644 50)
Public safety:				
Fire protection	51 339 40	52 055 13	52 055 13	-
Protective inspection	2 343 00	2 795 00	2 598 00	(197 00)
Planning and zoning	2 913 00	2 944 42	1 820 17	(1 124 25)
Public works:				
Drains	2 750 00	3 161 35	3 161 35	-
Lakes	16 968 59	16 968 60	9 601 05	(7 367 55)
Culture and recreation:				
Library	42 000 00	43 399 16	43 399 16	-
Total expenditures	<u>246 466 99</u>	<u>246 467 00</u>	<u>225 400 65</u>	<u>(21 066 35)</u>
Excess (deficiency) of revenues over expenditures	<u>(31 214 40)</u>	<u>(31 214 40)</u>	<u>(10 388 15)</u>	<u>20 826 25</u>
Other financing sources (uses):				
Operating transfers in	-	-	387 51	387 51
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>387 51</u>	<u>387 51</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(31 214 40)</u>	<u>(31 214 40)</u>	<u>(10 000 64)</u>	<u>21 213 76</u>
Fund balance, April 1	<u>31 214 40</u>	<u>31 214 40</u>	<u>115 780 08</u>	<u>84 565 68</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>105 779 44</u>	<u>105 779 44</u>

TOWNSHIP OF HOMER
Calhoun County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>1 521 043 02</u>	<u>1 521 043 02</u>	<u>-</u>
<u>Liabilities</u>				
Due to General Fund	-	108 374 02	108 374 02	-
Due to others	<u>-</u>	<u>1 412 669 00</u>	<u>1 412 669 00</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>1 521 043 02</u>	<u>1 521 043 02</u>	<u>-</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>1 255 83</u>	<u>7 441 03</u>	<u>8 696 86</u>	<u>-</u>
<u>Liabilities</u>				
Due to General Fund	83 03	7 096 97	7 180 00	-
Due to others	<u>1 172 80</u>	<u>344 06</u>	<u>1 516 86</u>	<u>-</u>
Total Liabilities	<u>1 255 83</u>	<u>7 441 03</u>	<u>8 696 86</u>	<u>-</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>1 255 83</u>	<u>1 528 484 05</u>	<u>1 529 739 88</u>	<u>-</u>
<u>Liabilities</u>				
Due to General Fund	83 03	115 470 99	115 554 02	-
Due to others	<u>1 172 80</u>	<u>1 413 013 06</u>	<u>1 414 185 86</u>	<u>-</u>
Total Liabilities	<u>1 255 83</u>	<u>1 528 484 05</u>	<u>1 529 739 88</u>	<u>-</u>

TOWNSHIP OF HOMER
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash on hand and in bank – beginning of year	-
Cash receipts:	
Property taxes	1 505 901 64
Property tax administration fees	15 017 33
Interest	124 05
Total cash receipts	<u>1 521 043 02</u>
Total beginning balance and cash receipts	<u>1 521 043 02</u>
Cash disbursements:	
Calhoun County	558 760 79
Calhoun County Intermediate School District	251 932 07
Hillsdale Intermediate School District	9 282 01
Litchfield School District	13 500 67
Homer Community Schools	403 150 75
Kellogg Community College	160 883 50
Township General Fund	108 374 02
State of Michigan	13 366 20
Refunds	1 793 01
Total cash disbursements	<u>1 521 043 02</u>
Cash on Hand and In Bank – End of Year	<u>-</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

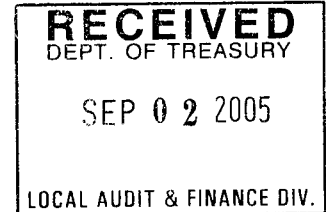
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TEL (989) 894-1040
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 25, 2005

To the Township Board
Township of Homer
Calhoun County, Michigan



We have audited the financial statements of the Township of Homer for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Homer in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Homer
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Homer began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Homer
Calhoun County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants